PETROLEUM WATCH **August 30, 2013**
Transportation Energy Office
Fuels and Transportation Division
California Energy Commission

Summary

California retail regular-grade gasoline prices have decreased over the past four months. As of August 26, the average California retail price for regular-grade gasoline fell 10 cents to $3.80 since last month. Retail diesel prices, on the other hand, increased to $4.16 per gallon.

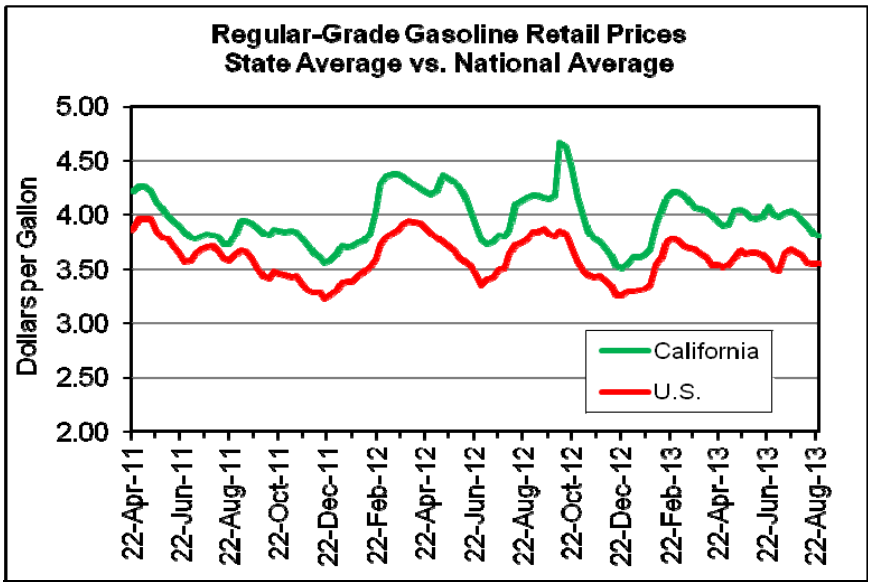
California spot wholesale gasoline prices were $2.86 on August 27, a decrease of 11 cents from the beginning of May and 26 cents lower than a year ago. Conversely, wholesale diesel prices rose 43 cents over the past four months to $4.165, down 20 cents from a year ago.

California-compliant gasoline production decreased by 0.8 percent while inventories remained unchanged over the past week. California-compliant diesel production decreased by 0.9 percent while inventories increased by 25.1 percent in the past week.

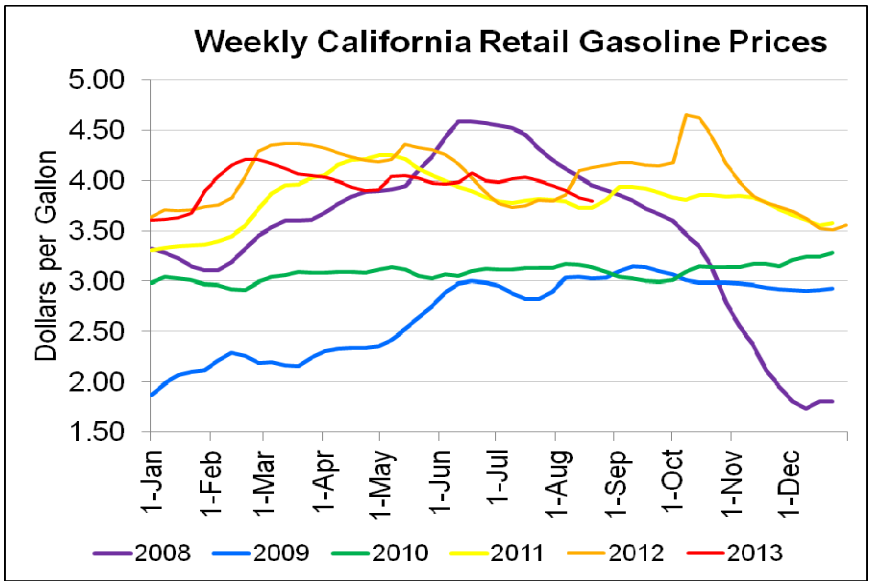
United States crude oil prices have risen since the last *Petroleum Watch*. The price of Brent crude oil has risen to $114.36 per barrel. The price of West Texas Intermediate (WTI) has risen to $109.11 per barrel. As of August 27, the Alaska North Slope (ANS) crude oil price stood at $113.46 per barrel. The spread between WTI and ANS has decreased greatly over the past year, from $16.78 to $4.35 per barrel. The spread between WTI and Brent has followed a similar pattern, falling from $16.32 to $5.25 per barrel over the past year.

Retail Prices

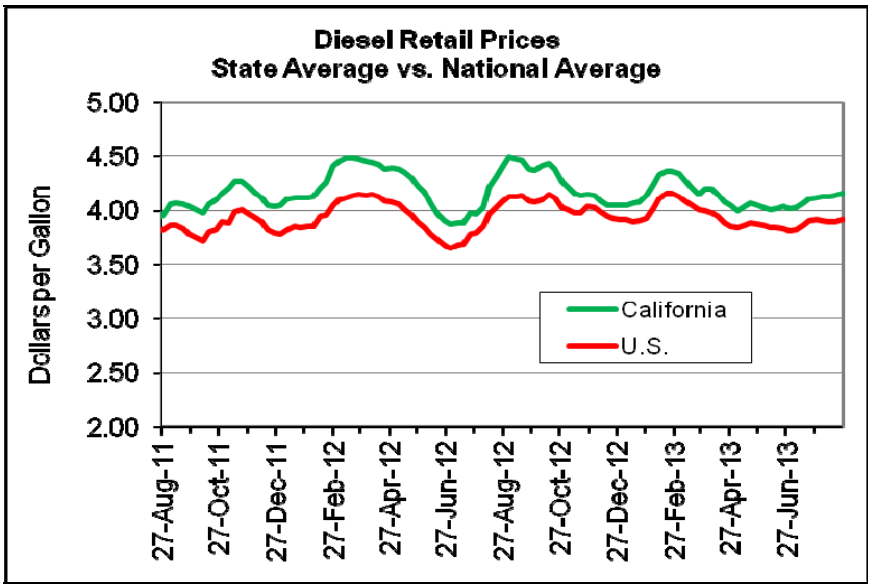
The average California **retail price for regular-grade gasoline** has fallen 11 cents since the last *Petroleum Watch* to $3.80 per gallon. On the other hand, average U.S. retail gasoline prices rose 3 cents from the last Petroleum Watch to $3.55. Average U.S. gasoline prices are 17 cents higher than a year ago. The difference between California and U.S. retail gasoline prices decreased from 39 cents to 25 cents since the last *Petroleum Watch*, due to increases in California refinery production.



California retail gasoline prices have fallen back below 2012 levels and are similar to levels seen this time in 2011.

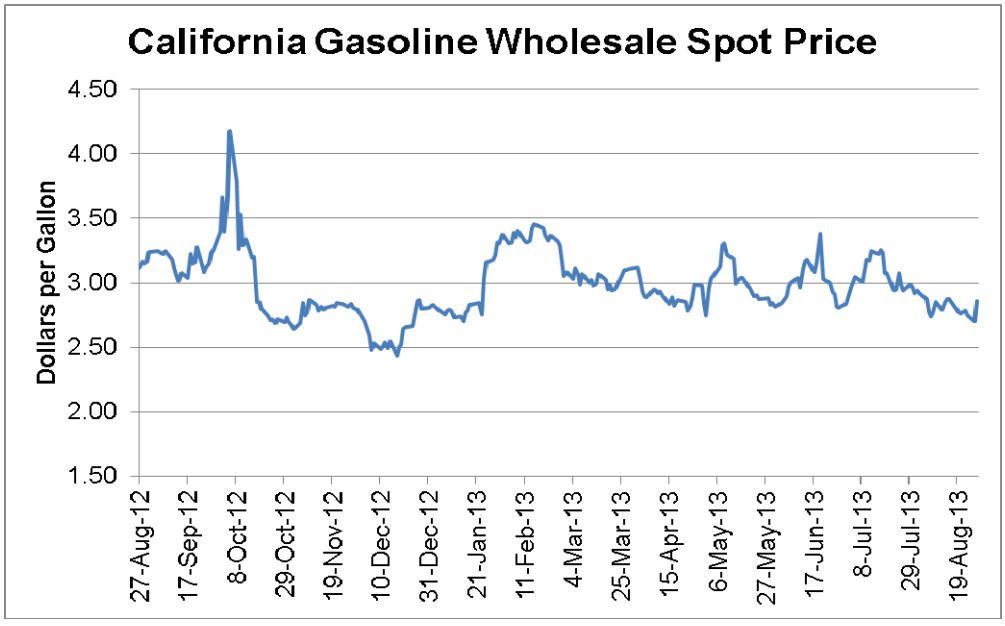


The average California **retail diesel price** rose 11 cents since the last i to $4.16 per gallon. The average U.S. retail diesel price rose 6 cents over the past month to $3.91 per gallon. As a result, the premium for California diesel over U.S. diesel prices rose from 20 cents to 24 cents over the past month. California diesel prices are 25 cents lower than a year ago, while U.S. diesel prices are 18 cents lower than a year ago. As has been remarked in months past, diesel prices continue to move more moderately than gasoline prices.



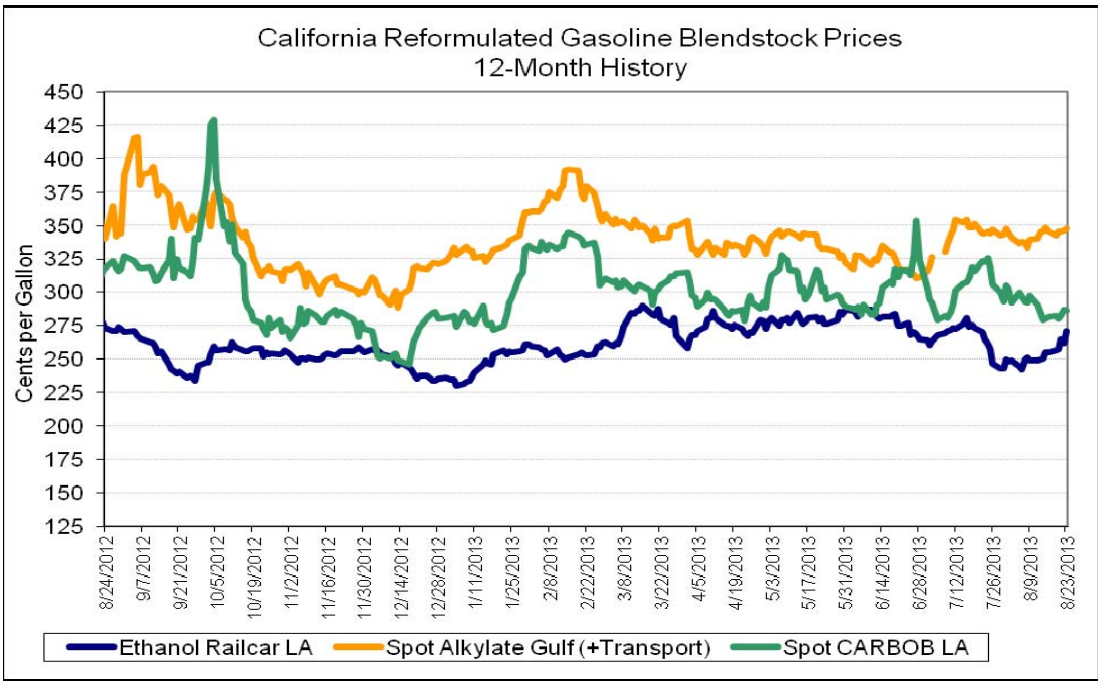
Wholesale Gasoline and Blendstock Prices on August 27, 2013

Refineries in California have been relatively trouble-free over the past several months. Combined with a steady, if high, price of oil, the wholesale market has been one lacking in volatility over the past several months, especially compared to the spike-prone prices of 2012. California spot wholesale gasoline prices for regular-grade reformulated blendstock for oxygenate blending (CARBOB) traded at $2.86 on August 27, 11 cents below prices at the end of April and 26 cents lower than this time a year ago. Uncharacteristically, CARBOB has even been below New York wholesale gasoline prices, which stood at $3.03 on August 27.



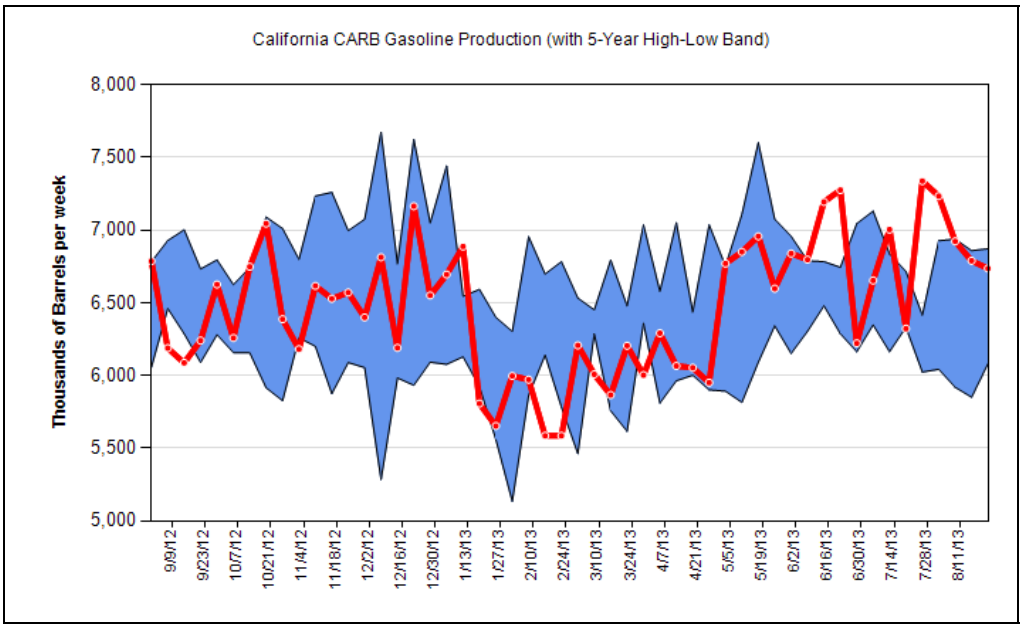
In contrast, wholesale diesel prices in California have spent the past four months in a slow upward creep. Prices since May 1 have risen 43 cents and stood at $3.17 as of August 27. Prices are down 20 cents over the year. Coincidentally, New York wholesale diesel was also $3.17 per gallon on August 27, down 10 cents on the year.

The average representative estimated cost of **fuel ethanol** to California refiners and marketers stood at $2.71 per gallon as of August 23, 2013.[1]

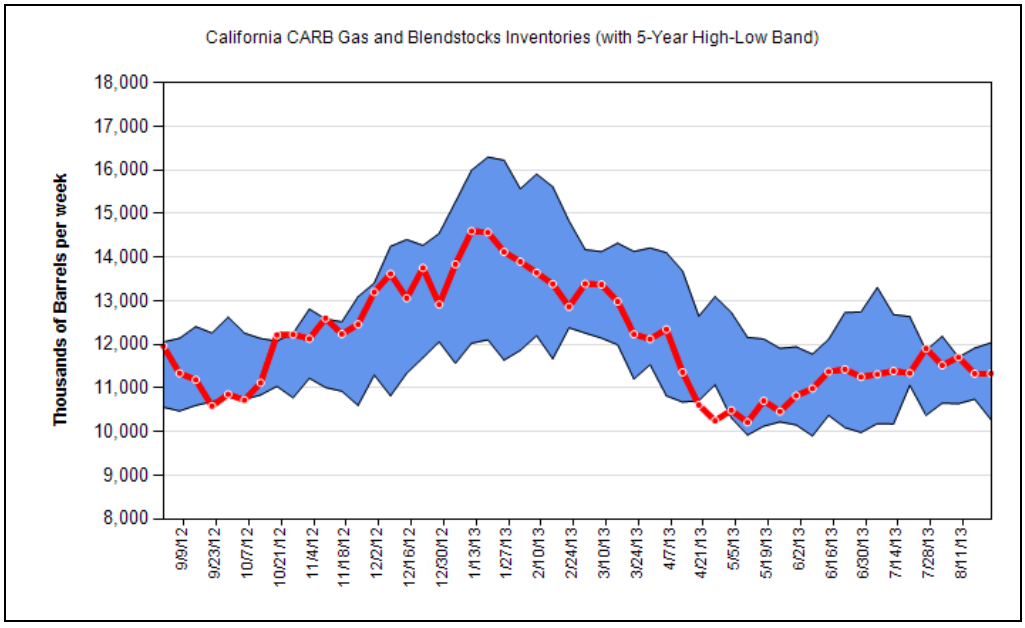


Refinery Production and Inventories

Reformulated gasoline production in California for the week ending August 23 decreased 0.8 percent from the previous week to 6.7 million barrels, remaining near the top of the five-year range. [2]

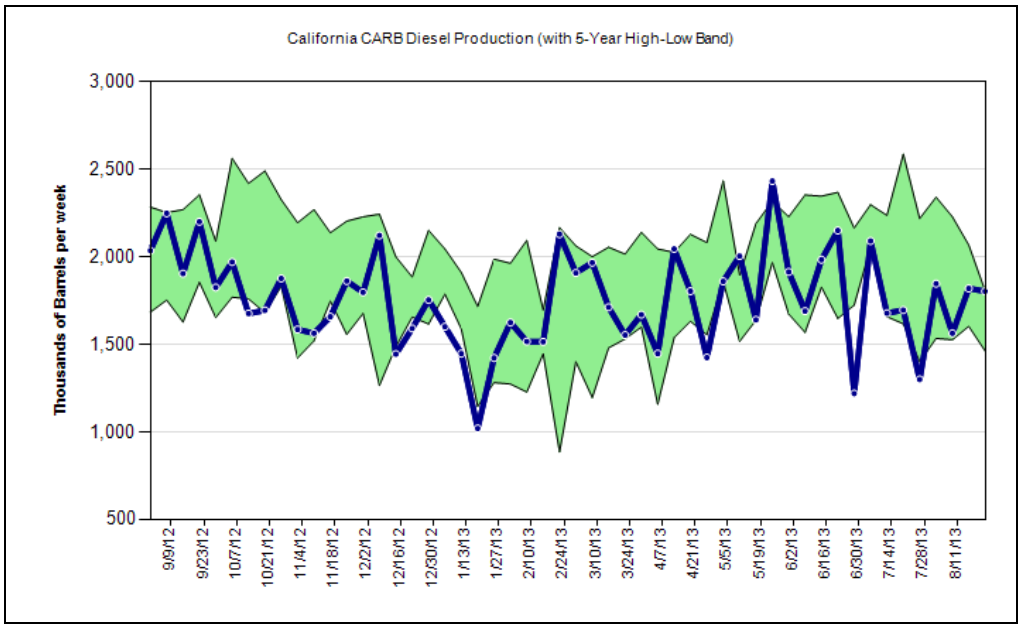


California **reformulated gasoline inventories** decreased 4.9 percent from the past week, while gasoline blendstock inventories increased 5.2 percent. California's combined inventories of reformulated gasoline and gasoline blendstocks remains unchanged from the previous week at 11.3 million barrels, remaining in the middle of the five-year range.

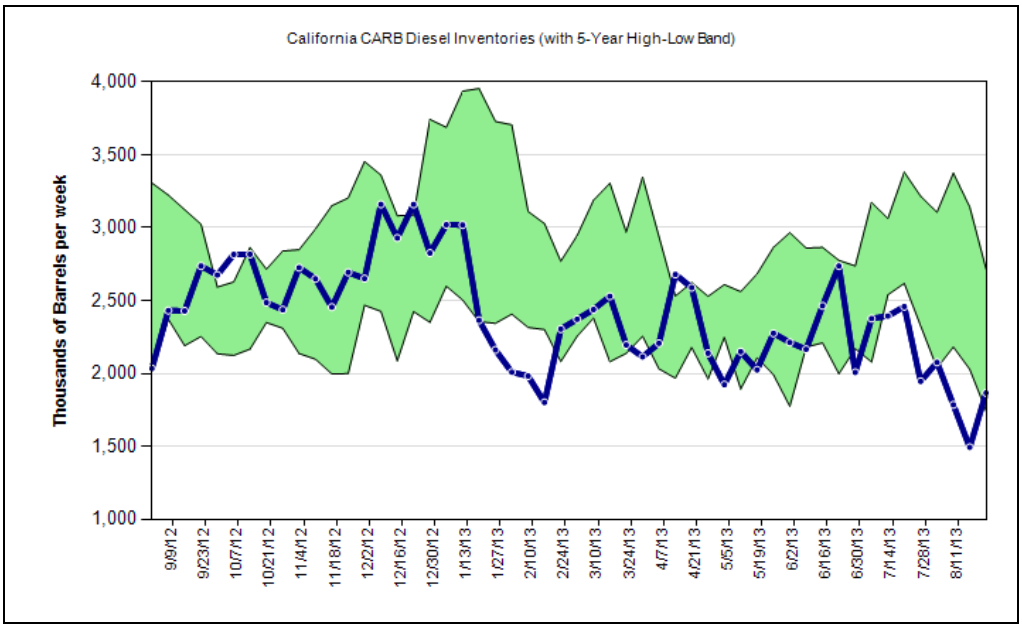


U.S. motor gasoline inventories as of August 23 fell to 217.8 million barrels, 0.6 million barrels less than a week ago, but 16.6 million barrels more than this time last year. On the West Coast, gasoline inventories have fallen by 1.1 million barrels from a week ago, while inventories are 0.6 million barrels more than this time last year.

California-compliant **ultra-low-sulfur diesel fuel (CARB diesel) production**[3] was 1.8 million barrels during the week ending August 23, a decrease of 0.9 percent from the previous week, remaining at the top of the five-year range.



Inventories of CARB diesel in California increased 25.1 percent from the previous week to 1.9 million barrels and are still at the bottom of the five-year range.

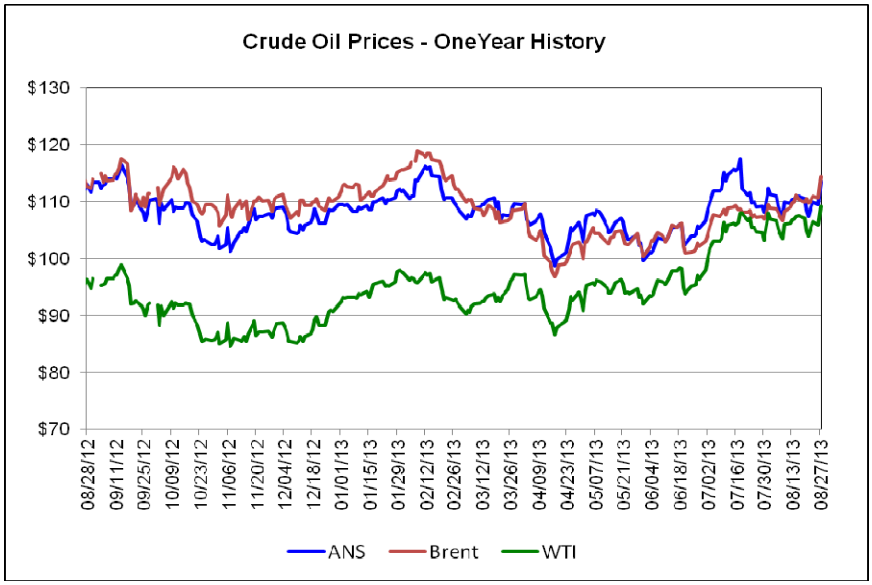


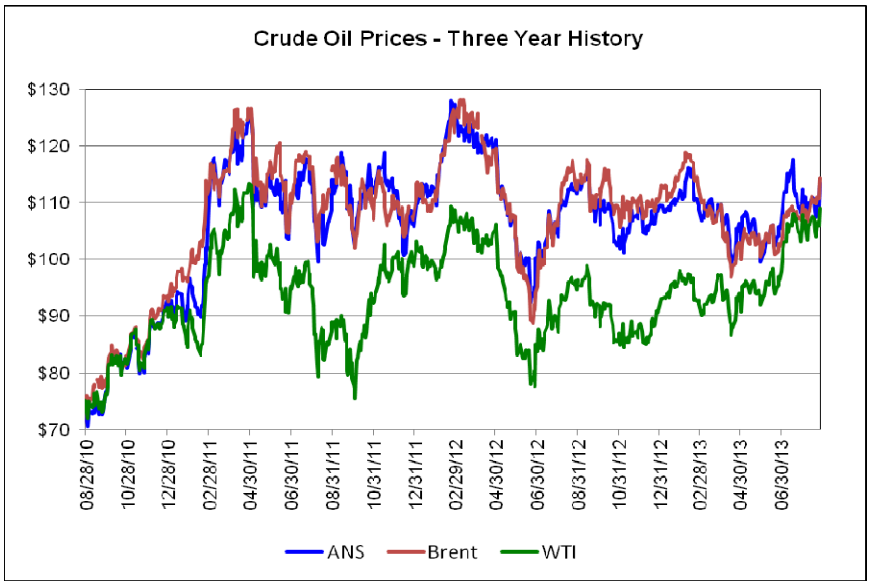
U.S. distillate inventories as of August 23 fell to 129.0 million barrels, 0.3 million barrels less than a week ago. West Coast distillate inventories are 1.0 million barrels higher than this time last year, and U.S. inventories are 3.1 million barrels greater.

Crude Oil Prices and Associated Factors

The West Coast price for ANS crude oil, a refinery feedstock for California, was $113.46 as of August 27. The ANS crude price has fallen by 28 cents since this time last year.[4] A 2.5 percent rate of gross domestic product growth in the second quarter of 2013, a reduction in crude inventories over the past three months from 397.6 million barrels as of May 24 to 362.0 million barrels as of August 23, and a rise in leading stock market indexes have pushed U.S. oil prices up.[5]

The spread between West Texas Intermediate crude oil prices and Brent crude oil contracts has narrowed dramatically over the past two months. Prior to December 2010, these three blends typically traded at prices within a few dollars per barrel of one another. Beginning in February 2011 and continuing through May 2013, the spread between WTI and both ANS and Brent exceeded $10 per barrel in response to supply increases in the midwestern United States that were not immediately accompanied by increases in oil transportation infrastructure. As of August 27, the spread between Brent and WTI is $5.25, compared to $16.32 a year ago. West Texas Intermediate spot prices closed at $109.11 per barrel as of August 27, $4.35 less than ANS crude oil. Decreasing crude inventories in the Midwest and a strengthening of the U.S.' economy relative to previous levels have caused this spread to narrow.





[1] Ethanol railcar prices are from *Platts Oilgram* and are average prices for prompt Southern California shipments minus a 45¢/gal federal excise tax credit for 2009 through 2011 prices and a 51¢/gal federal excise tax credit for prices prior to 2009. The federal excise tax credit expired at the end of 2011. California alkylate prices are also calculated from Platts Oilgram and include a 20¢/gal transportation and distribution cost from Gulf Coast to California. Spot wholesale prices for regular-grade California reformulated gasoline blendstock for oxygenate blending (CARBOB) are from Oil Price Information Service.

[2] California refinery production and inventory information is from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

[3] Staff has discontinued the reporting of combined CARB and EPA diesel production and inventories and will report only CARB diesel as of December 2009. EPA diesel is primarily for export from California.

[4] Alaska North Slope (ANS) crude oil prices are from *The Wall Street Journal*. Brent and West Texas Intermediate (WTI) crude oil prices are from the Energy Information Administration.

[5] ANS crude oil price changes are influenced by inventory levels, refinery capacity, domestic and international economic conditions, currency exchange rates, perceived risks to global supply such as unrest in the Middle East, and near-term price trends as indicated by the futures market for crude oil.